

VZCZCXRO8130
OO RUEHAG RUEHDF RUEHIK RUEHLZ RUEHROV
DE RUEHTH #1481/01 3030646
ZNR UUUUU ZZH
O 290646Z OCT 08 ZDS
FM AMEMBASSY ATHENS
TO RUEHC/SECSTATE WASHDC IMMEDIATE 2682
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE PRIORITY
RHMFIUU/DEPT OF ENERGY WASHINGTON DC PRIORITY
RHMFIUU/HQ EPA WASHINGTON DC PRIORITY

UNCLAS SECTION 01 OF 02 ATHENS 001481

C O R R E C T E D C O P Y (SENTIVE CAPTION ADDED)

SIPDIS
SENSITIVE

DEPT FOR EUR/ERA FOR BEH/NELSON, EUR/PGI FOR TESSLER,
OES/PCI FOR FITE/HUDAK, OES/EGC FOR FENDLEY

E.O. 12958: N/A
TAGS: [ENRG](#) [KGHG](#) [SENV](#) [TRGY](#) [GR](#)
SUBJECT: RNEWABLES: A HOT SECTOR STYMIED BY THE USUAL
GREEK BUREAUCRACY

ATHENS 00001481 001.2 OF 002

¶1. (SBU) Summary: With plenty of natural sunlight and wind, Greece is well-positioned to tap into one of the hottest sectors in the energy market. Although improving the investment climate for green renewable energy sources (RES), particularly solar energy, is a priority, the Greek Government still struggles with investor demand that exceeds capacity. EconOff discussed the issue with government interlocutors and the private sector including: Center for Renewable Energy Sources (CRES), a public entity supervised by the Ministry of Development; advisors to the Secretary General Skylakakis of the Ministry of Development; and a small company called Green Project that works with investors on solar energy projects. End Summary

Bureaucracy Slows Down RES Market

¶2. (SBU) The renewables sector in Greece has amazing market potential estimated at USD 1.9 billion and a ten percent annual growth rate (2005 - 2007) and yet it faces a sizable back-log of project requests, particularly in solar energy. According to government representatives, the Government of Greece (GoG) is working hard to modify its legislative framework to reduce licensing requirements and devise sustainable financial incentives to attract investors.

¶3. (SBU) CRES Director Papastefanakis told EconOff that the GoG was having trouble keeping up with investor demand and implementing projects in the green RES market. He said the GoG was over-extended and had trouble managing the number of applications from investors for permits, adding that the GoG could not sustain the financial incentives offered in the long-term. As a result, he said the GoG was revising its legislation to refine both procedural bureaucratic hurdles and financial incentives.

¶4. (SBU) Specifically, the GoG was looking at reducing the capital subsidy, which presently assists in the investment costs of construction. Eligibility for the subsidy requires the investor to prove that they have already started on the project and possess sixty percent of financing costs. In addition to the capital subsidy, the GoG offers a feed-in subsidy, or a fixed buy-back rate for electricity, to match the marginal electricity costs going forward. The feed-in subsidy price is anticipated to drop substantially in the revised legislation.

GoG Changing the Rules of the Game

15. (SBU) A small company based in Greece called "Green Project" told EconOff that the process for a renewables project was much more complicated in Greece than anywhere else. They said it takes at least one year to get the final authorization to operate a solar panel in Greece, versus Germany where it takes just a month. Restrictions on land use, so that prime agricultural land is excluded, also play a role. For facilities that produce over 20 kW and under 150 kW, it requires extensive maneuvering through the Greek bureaucratic system including: a decision by the Regulatory Authority for Energy (RAE), an environmental permit, a planning authorities license, an interconnection agreement with the utility company, and a contract with the system operator.

16. (SBU) Green Project said the GOG had over-issued permits to private operators and would most likely be unable to meet the financial obligations required by this over-issuance. Part of the problem, they cited, involved the rigid requirements of the program developed from the 2006 RES law. Green Project said the new legislation may or may not help, and perhaps even change the rules of the game. Even the Embassy's own photovoltaic cell project is presently waiting for the outcome of this newly proposed legislation and whether it will reduce some of the bureaucratic hurdles in installing photovoltaic cells on the Embassy's parking garage roof.

Capacity Constraints

17. (SBU) In addition to the financial obligations, CRES and Green Project believe that the electricity grid will not be able to absorb nor transmit energy generated by these new producers. Part of the problem is that the photovoltaic market was marginal, prior to 2006, and was mainly based on off-grid systems. Grid connected systems began to dominate

ATHENS 00001481 002.2 OF 002

the market as late as 2007. As for wind energy, Papastefanakis said wind farms had difficulty providing newly generated electricity to remote islands due to a weak grid infrastructure. Simultaneously, it was a challenge to interface with those areas that had the greatest potential to conduct wind energy but had the least ability to connect to the grid infrastructure. Storage of wind energy also remains an issue particularly during the summer season with peak demand and low intake. Papastefanakis said the GOG was exploring alternatives including mixing renewable energy sources with conventional sources to cover those peaks.

RES Reform a Priority

18. (SBU) Viky Georgakopoulou, Advisor to SecGen Skylakakis in the Ministry of Development told EconOff that the program for solar energy proposals was a political priority and confirmed that the GoG was looking at ways to reform the sector to attract investors. Georgakopoulou confirmed the presence of strong investor interest, noting that when the subscription window opened in June 2007 for projects totaling 700MW, it was oversubscribed by over five times by applications with a combined total of 3700 MW. Given the technical and financial constraints, Georgakopoulou said the GoG could not approve all the applications submitted. (Note: This is in line with Papastefanakis' comments that the GoG does not have enough resources to manage the influx of projects. End Note.) Despite the backlog, she noted that the regulatory authority did plan to review each application once the legislation was finalized.

19. (SBU) Georgakopoulou pointed out that the new legislation would govern investments, subsidies, installations as well as electricity production and sales. Specifically, she highlighted that the new law would lower the rate at which

Greek Public Power Corporation (PPC) will be able to buy back electricity from the producer to a more realistic rate. (Note: The pricing of electricity is determined by the Ministry of Development and is a ten year purchasing agreement between the producer and Hellenic Transmission System Operator (HTSO) that can be extended for ten more years unilaterally, upon a written declaration by the producer. End Note.) The law will "clean up the market" and will have different sub-chapters on photovoltaics and other renewables, she said. Despite all these efforts, Georgakopoulou estimated that it will take an average of 1.5 years for the realization of some of these projects.

Comment

¶10. (SBU) Greece continues to rank low relative to other European countries on the actual use of renewable energy sources in spite of strong EU financial support. On a positive note, it recognizes that this sector is key to meeting EU obligations and is working towards taking advantage of free natural resources. Greece's challenges remain streamlining its bureaucratic machine so that it does not alienate potential investors and developing sustainable financial incentives, particularly among today's already contentious political climate. End Comment.
SPECKHARD